

BUY**TP: Rs 925 | ▲ 16%****KAJARIA CERAMICS**

| Building Materials

| 07 May 2025

Weak performance on all counts

- **Weak Q4 on soft demand environment and margin pressure in tile segment; ceased plywood operations due to continued losses**
- **Scrapped large GVT tiles project on muted demand, despite operating at an almost full level in FY25**
- **Maintain BUY on healthy earnings growth prospects and reasonable valuation; TP cut by 18% to Rs 925 per share**

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Weak Q4: KJC missed our estimate (Revenue: -5.0%; EBITDA: -20.5%; APAT: -26.0%) due to tepid tiles volume (+1.8% YoY vs +6.7% estimated on soft demand environment) as well as sharp margin pressure (-300bps YoY to 11.3% vs 13.5% estimated on intense competition from Morbi players and one-time write-off related to discontinuation of UK retail operations). Overall, KJC revenue grew by 1.1% YoY, but EBITDA/APAT de-grew by 20.0%/30.3% in Q4FY25.

Highlights: KJC tiles sales volume grew by 1.8% YoY in Q4FY25 driven by higher traded outsourced volume (+6.4% YoY). The manufactured tiles volume was down 1.7% YoY due to high operating rate (+103%). Tiles realisation was relatively stable (+0.4% QoQ) in Q4FY25. Bathware revenue grew by 8.1% YoY with weak EBIT margin of 2.8% in Q4FY25, due to losses incurred in the recently commissioned sanitaryware unit in Morbi. Despite lower operating rate of Nepal tiles JV plant (from 70% in Q3FY25 to 50% in Q4FY25), share of profit from JV has risen to Rs 70mn in Q4FY25 (vs loss of Rs 10mn in Q3FY25) due to some write-backs. KJC has discontinued plywood operations and posted a loss of Rs 308mn in Q4FY25, owing to the provision of doubtful debt for settlement with vendors.

Outlook: Despite operating at almost full capacity in FY25, KJC has scrapped its large GVT tiles project in Morbi due to muted demand environment. However, the company expects to outpace the industry growth (by sourcing higher outsourced volume from Morbi) as well as improve its margin profile in FY26, due to the benefit of implementation of various measures (sales force automation, dealer management system and cost optimisation projects). Capex estimated to be Rs 2.5bn for FY26.

Maintain BUY; TP cut by 18% to Rs 925: We maintain BUY, as a) we expect its EPS to grow at a healthy 19.7% CAGR over FY25-FY27E on a weak base; and b) reasonable valuation (trades at 30.7x on 1YF P/E vs 5Y average of 45.5x). We have cut our TP to Rs 925 per share (Rs 1,130 earlier) due to earnings downgrade (-8.7%/-7.2% for FY26E/ FY27E), based on weak Q4 result as well as a downward revision of our target P/E multiple (from 35x to 30x) on Mar'27 estimates (Dec'26 earlier).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	KJC IN/Rs 800
Market cap	US\$ 1.5bn
Free float	53%
3M ADV	US\$ 3.8mn
52wk high/low	Rs 1,579/Rs 759
Promoter/FPI/DII	47%/16%/28%

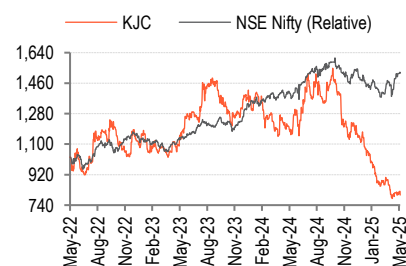
Source: NSE | Price as of 6 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	46,351	50,341	55,453
EBITDA (Rs mn)	6,262	6,999	8,358
Adj. net profit (Rs mn)	3,426	3,991	4,911
Adj. EPS (Rs)	21.5	25.1	30.8
Consensus EPS (Rs)	18.5	29.7	36.3
Adj. ROAE (%)	12.5	13.7	15.7
Adj. P/E (x)	37.2	31.9	25.9
EV/EBITDA (x)	20.7	18.7	15.8
Adj. EPS growth (%)	(21.0)	16.5	23.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Total operating income	12,219	12,082	1.1	11,556	5.7	46,351	44,740	3.6	12,860	(5.0)
Raw-Material expense	5,395	5,535	(2.5)	4,717	14.4	19,655	18,945	3.7		
Gross Profit	6,824	6,547	4.2	6,839	(0.2)	26,695	25,795	3.5		
Employee expense	1,433	1,255	14.2	1,473	(2.7)	5,661	4,916	15.2		
Power & Fuel costs	2,340	2,118	10.5	2,412	(3.0)	9,124	8,661	5.3		
Other expense	1,667	1,444	15.5	1,421	17.3	5,649	5,150	9.7		
EBITDA	1,384	1,730	(20.0)	1,533	(9.8)	6,262	7,068	(11.4)	1,741	(20.5)
D&A	434	421	3.1	397	9.6	1,654	1,476	12.1		
EBIT	949	1,309	(27.5)	1,137	(16.5)	4,608	5,592	(17.6)		
Interest cost	60	53	13.2	74	(18.9)	200	173	15.8		
Non-operating expense/(income)	(195)	(167)	16.3	(93)	109.1	(435)	(450)	(3.3)		
PBT	1,084	1,423	(23.8)	1,156	(6.2)	4,843	5,870	(17.5)		
Tax	344	354	(2.7)	307	12.0	1,360	1,435	(5.2)		
Reported PAT from continued operations	740	1,070	(30.8)	849	(12.8)	3,483	4,435	(21.5)		
Profit/(loss) from discontinued operations	(308)	(27)	1,048.9	(59)	422.8	(483)	(113)	325.8		
Reported PAT	432	1,043	(58.6)	790	(45.3)	3,000	4,322	(30.6)		
Minority Interest	7	18	(63.9)	12	(46.8)	57	101	(43.6)		
Reported PAT after Minority Interest	425	1,024	(58.5)	777	(45.3)	2,943	4,221	(30.3)		
Adjusted PAT	733	1,051	(30.3)	836	(12.3)	3,426	4,335	(21.0)	991	(26.0)
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	55.8	54.2	166	59.2	(333)	57.6	57.7	(6)		
Employee cost	11.7	10.4	134	12.7	(101)	12.2	11.0	123		
Power costs	19.1	17.5	162	20.9	(173)	19.7	19.4	33		
Other cost	13.6	12.0	170	12.3	135	12.2	11.5	68		
EBITDA margin	11.3	14.3	(300)	13.3	(194)	13.5	15.8	(229)		
Tax rate	31.8	24.9	690	26.6	517	28.1	24.4	363		
APAT margin	6.0	8.7	(270)	7.2	(124)	7.4	9.7	(230)		

Source: Company, BOBCAPS Research

Fig 2 – Segment performance

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Revenue (Rs mn)								
Tiles	11,113	11,059	0.5	10,611	4.7	42,489	41,106	3.4
- Own Manufacturing	5,855	6,062	(3.4)	5,688	2.9	2,300	2,295	0.2
- Subsidiaries	2,273	2,255	0.8	2,067	10.0	828	786	5.5
- Outsourcing	2,755	2,599	6.0	2,651	3.9	1,043	980	6.4
- Adhesives	230	143	61.2	205	12.3	77	50	54.8
Non-Tile (Bathware)	1,105	1,023	8.1	945	17.0	4,216	4,352	(3.1)
Total	12,219	12,082	1.1	11,556	5.7	46,704	45,458	2.7
EBIT margin (%)								
Tile	8.3	11.6	(333)	10.9	(261)	10.9	13.2	(230)
Non-Tile (Bathware)	2.8	2.6	22	(1.8)	454	(2.6)	2.5	(509)
Total	7.8	10.8	(306)	9.8	-207	9.7	12.2	(249)
Operational Data								
Tiles Sales Volume (msm)	30.1	29.6	1.8	28.9	4.2	114.7	108.1	6.1
Tiles Realization (Rs/sqm)	361.5	369.2	(2.1)	360.1	0.4	364	376	(3.1)
Tiles EBIT per unit (Rs/sqm)	31	43	(29.7)	40	(23.6)	40	50	(19.5)

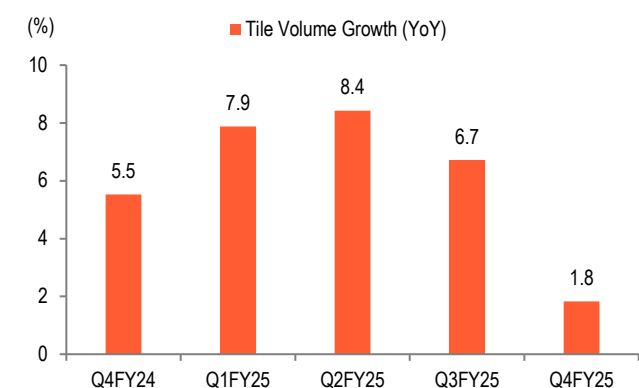
Source: Company, BOBCAPS Research

Earnings call highlights

- **Tiles demand scenario:** Indian ceramic tiles demand grew by 2.0-3.0% YoY in FY25. While the demand environment remains weak, management expects demand conditions to improve in FY26 because of the near completion of real estate projects undertaken in FY22 and FY23.
- **Tiles exports scenario:** Indian tiles exports de-grew by 20% YoY to Rs 160bn in FY25. However, management expects tile exports to grow by 25% YoY to Rs 200bn in FY26, given the benefits of a steep decline in ocean freight rate.
- **Tiles pricing scenario:** Tiles prices remain stable in Q4FY25, due to better pricing discipline maintained by organised players. Going ahead, management expects the industry pricing scenario to improve in anticipation of a pickup in tiles exports from India (which would help reduce competitive intensity from Morbi players). The company has also started taking price hikes in certain product categories and would see if it gets absorbed in the market.
- **Tiles:** Revenue marginally grew by 0.5% YoY in Q4FY25, due to soft demand in both domestic as well as export markets. Tiles sales volume grew by 1.8% YoY in Q4FY25, driven by higher volumes from subsidiaries (+5.7%) and higher trading volumes (+6.4%). Manufactured tiles volume was down 1.7% YoY in Q4FY25, due to high operating rate (103% in Q4FY25). Tiles realisation was relatively stable (+0.4% QoQ) in Q4FY25. Segment EBIT margin contracted by 333bps YoY/ 261bps QoQ to a multi-quarter low level of 8.3% in Q4FY25, due to intense competition from Morbi players in a soft demand environment and one-time write-off of Rs 70mn due to discontinuation of UK retail operations.
- **Dealers:** The company has now 1,850 dealers across India, out of which 430-450 are exclusive dealers.
- **B2C:B2B mix:** Share of B2B:B2C sales was 30:70 in Q4FY25.
- **Nepal plant:** Operating rate has gone down from 70% in Q3FY25 to 50% in Q4FY25 (vs earlier expectation of 80-85% by Mar'25). However, share of profit from JV has gone up to Rs 70mn in Q4FY25 (vs loss of Rs 10mn in Q3FY25) due to some write backs. Management expects the performance of Nepal plant to stabilise over the next two quarters.
- **Bathware:** Revenue grew at a muted pace of 8.1% YoY in Q4FY25. Bathware EBIT margin remained weak at 2.8% in Q4FY25, due to costs associated with the newly commenced sanitaryware plant in Morbi.
- **Plywood:** KJC has discontinued plywood operations and posted a loss of Rs 308mn in Q4FY25, due to provision of doubtful debt for settlement with vendors.
- **Adhesive:** Revenue grew by 61.2% YoY in Q4FY25.
- **Working Capital:** Net working capital cycle has remained relatively stable at 63 days in Q4FY25 (vs 64 days in Q4FY24). Net cash position has gone up from Rs298 crore in Dec'24 to Rs424 crore in Mar'25.

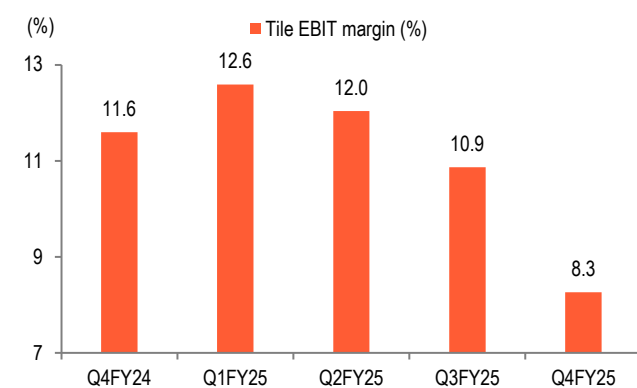
- Capex:** KJC plans to spend Rs 2.0bn in FY26, of which Rs 0.75bn would be used for building up a new corporate office, Rs 1.0bn for maintenance capex, Rs 0.25bn for adhesive project and Rs 0.15-0.2 bn for the Nepal JV project. The company has scrapped its large slab GVT tiles project in Morbi on a muted demand environment. No major growth capex plan in the near future.

Fig 3 – KJC's tile volumes grew at a tepid rate of 1.8% YoY in Q4FY25 on a soft demand environment



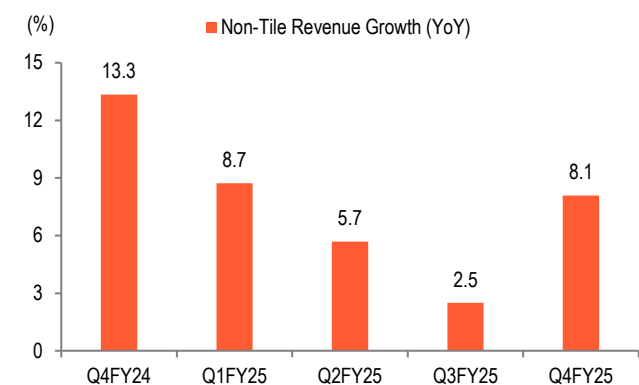
Source: Company, BOBCAPS Research

Fig 4 – Tile EBIT margin fell sharply by 333bps YoY to 8.3% in Q4FY25 on intense competition from Morbi



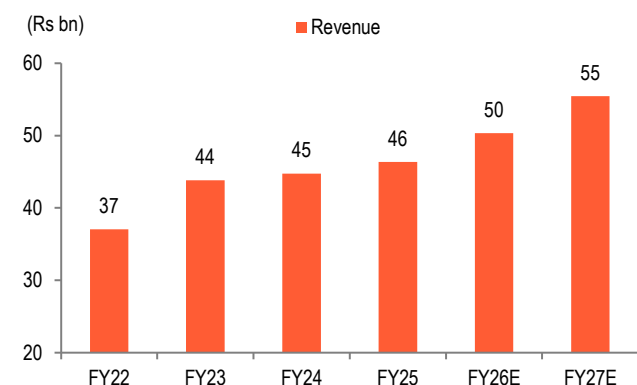
Source: Company, BOBCAPS Research

Fig 5 – Bathware revenue also grew at a modest pace of 8.1% YoY in Q4FY25



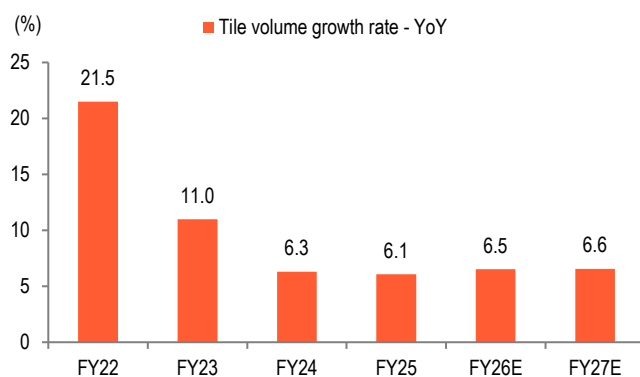
Source: Company, BOBCAPS Research

Fig 6 – KJC's revenue projected to grow at 9.4% CAGR over FY25-FY27E..



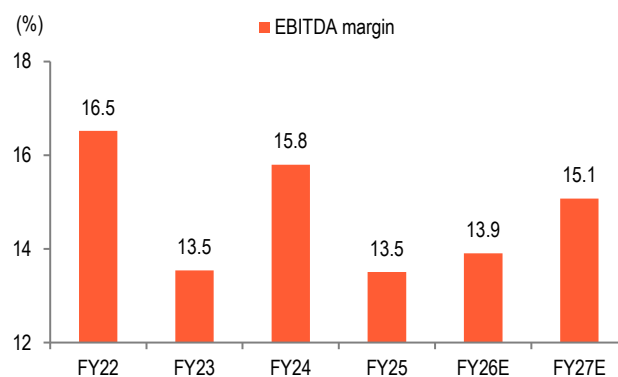
Source: Company, BOBCAPS Research

Fig 7 – ...to be mainly driven by higher tiles sales volumes (+6.5% CAGR)



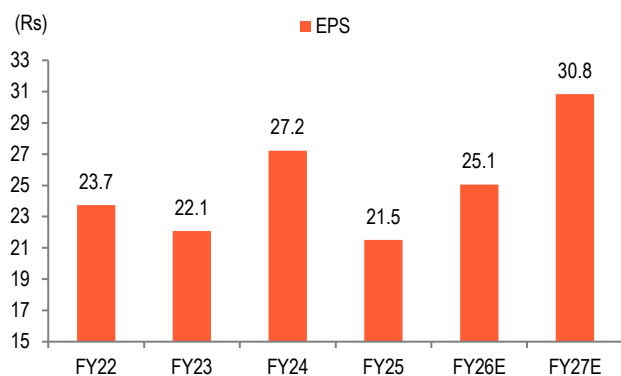
Source: Company, BOBCAPS Research

Fig 8 – KJC EBITDA margin is projected to gradually improve over medium term with pickup in retail demand



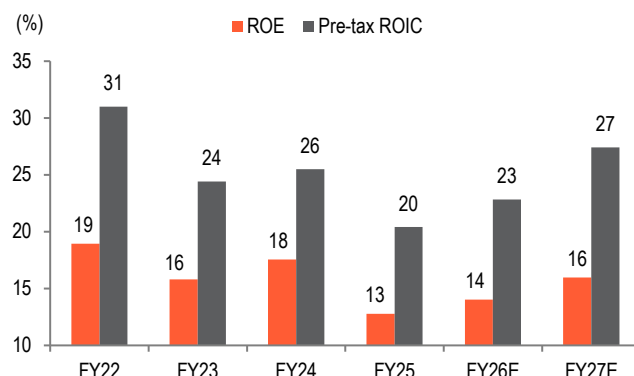
Source: Company, BOBCAPS Research

Fig 9 – EPS forecast to grow at a healthy 19.7% CAGR over FY25-FY27E on a weak base



Source: Company, BOBCAPS Research

Fig 10 – KJC is likely to generate a healthy return ratio over FY25-FY27E



Source: Company, BOBCAPS Research

Valuation methodology

We maintain BUY as a) we expect EPS to grow at a healthy 19.7% CAGR over FY25-FY27E on a weak base; and b) reasonable valuation (trades at 30.7x on 1YF P/E vs 5Y average of 45.5x). We project KJC tiles volume to grow at a modest 6.5% CAGR over FY25-FY27 (to be driven by higher outsourced volume) as its own tiles manufacturing capacity currently operates at an almost full level. We expect its EBITDA margin to gradually improve from 11.3% in Q4FY25 to 13.9%/15.1% in FY26/FY27 (vs 10Y avg of 16.3%) with an anticipation of a pickup in retail demand.

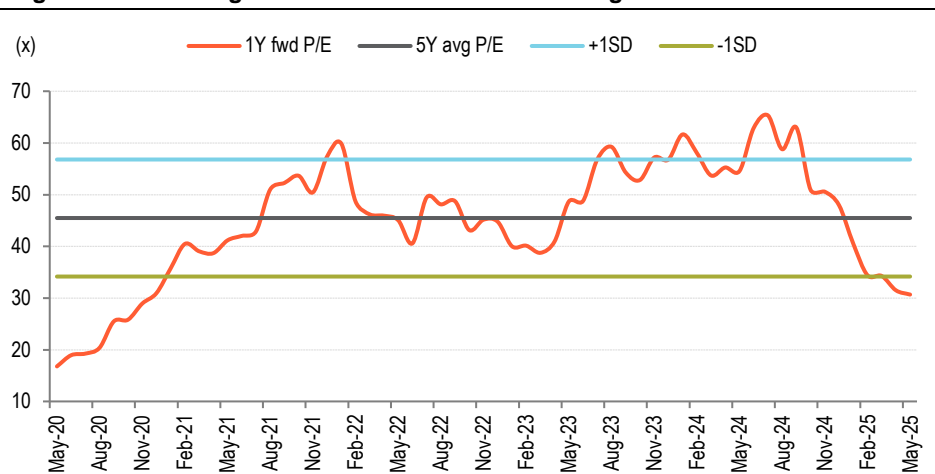
We have cut our TP to Rs 925 per share (Rs 1,130 earlier) due to earnings downgrade (-8.7%/-7.2% for FY26E/ FY27E), based on weak Q4 result as well as downward revision of our target P/E multiple (from 35x to 30x) on Mar'27 estimates (Dec'26 earlier).

Fig 11 – Revised estimates

Change in Estimates Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Total operating income	50.3	55.5	52.9	59.4	(4.8)	(6.7)
EBITDA	7.0	8.4	7.6	8.9	(8.4)	(6.6)
EBITDA Margin	13.9	15.1	14.5	15.1	(55bps)	1bps
Adjusted PAT	4.0	4.9	4.4	5.3	(8.7)	(7.2)
EPS (Rs)	25.1	30.8	27.4	33.2	(8.7)	(7.2)

Source: Company, BOBCAPS Research

Fig 12 – KJC trading at 30.7x on 1YF P/E vs 5Y average of 45.5x



Source: Bloomberg, BOBCAPS Research

Fig 13 – Key assumptions

Particulars (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tile Volume Growth	11.0	6.3	6.1	6.5	6.6
Tile Realization Growth	5.9	(3.3)	(3.1)	0.4	2.0
Tile Revenue Growth	17.5	2.8	2.7	7.0	8.7
Non-Tile Revenue Growth	26.0	20.2	(1.2)	11.7	21.9
Non-Tile Revenue Share	9.8	11.3	10.9	11.3	12.5

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates:

- Market share loss in tiles and a steep decline in tile exports from India
- Slower-than-expected recovery in real estate demand

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	43,819	44,740	46,351	50,341	55,453
EBITDA	5,934	7,068	6,262	6,999	8,358
Depreciation	1,329	1,476	1,654	1,789	1,920
EBIT	4,605	5,593	4,608	5,210	6,438
Net interest inc./(exp.)	(223)	(173)	(200)	(240)	(240)
Other inc./(exp.)	336	462	427	404	404
Exceptional items	14	113	483	0	0
EBT	4,705	5,768	4,352	5,374	6,603
Income taxes	1,163	1,435	1,360	1,355	1,667
Extraordinary items	79	0	0	0	0
Min. int./Inc. from assoc.	(18)	(113)	(49)	(28)	(24)
Reported net profit	3,445	4,221	2,943	3,991	4,911
Adjustments	69	113	483	0	0
Adjusted net profit	3,514	4,335	3,426	3,991	4,911

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	3,104	2,933	3,381	3,672	4,045
Other current liabilities	2,723	2,385	2,352	2,352	2,352
Provisions	82	278	299	324	357
Debt funds	2,093	1,706	1,759	1,748	1,760
Other liabilities	1,261	1,372	1,670	1,670	1,670
Equity capital	159	159	159	159	159
Reserves & surplus	23,109	26,006	27,284	29,331	31,851
Shareholders' fund	24,044	26,756	28,101	30,112	32,587
Total liab. and equities	33,305	35,429	37,562	39,879	42,772
Cash and cash eq.	3,938	5,141	5,829	7,441	8,986
Accounts receivables	6,012	6,194	5,702	6,193	6,822
Inventories	5,647	5,322	6,181	6,150	6,744
Other current assets	1,268	970	474	509	553
Investments	19	148	302	302	302
Net fixed assets	13,705	15,336	15,839	16,050	16,130
CWIP	817	679	1,087	1,087	1,087
Intangible assets	761	1,041	1,335	1,335	1,335
Deferred tax assets, net	207	185	53	53	53
Other assets	932	412	760	760	760
Total assets	33,305	35,429	37,562	39,879	42,772

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	2,995	6,525	5,312	5,712	6,086
Capital expenditures	(2,482)	(3,249)	(2,859)	(2,000)	(2,000)
Change in investments	(19)	(129)	(154)	0	0
Other investing cash flows	7	225	190	167	167
Cash flow from investing	(2,495)	(3,153)	(2,823)	(1,833)	(1,833)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	707	(387)	54	(11)	12
Interest expenses	(223)	(173)	(200)	(240)	(240)
Dividends paid	(1,433)	(1,963)	(1,434)	(1,944)	(2,392)
Other financing cash flows	143	353	(222)	(72)	(88)
Cash flow from financing	(806)	(2,169)	(1,802)	(2,267)	(2,708)
Chg in cash & cash eq.	(306)	1,203	688	1,612	1,544
Closing cash & cash eq.	3,938	5,141	5,829	7,441	8,986

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	21.6	26.5	18.5	25.1	30.8
Adjusted EPS	22.1	27.2	21.5	25.1	30.8
Dividend per share	9.0	12.0	9.0	12.2	15.0
Book value per share	146.2	164.3	172.3	185.1	200.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	3.0	2.9	2.8	2.6	2.4
EV/EBITDA	22.0	18.3	20.7	18.7	15.8
Adjusted P/E	36.2	29.4	37.2	31.9	25.9
P/BV	5.5	4.9	4.6	4.3	4.0

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.7	75.1	78.7	74.3	74.4
Interest burden (PBT/EBIT)	102.2	103.1	94.4	103.2	102.6
EBIT margin (EBIT/Revenue)	10.5	12.5	9.9	10.3	11.6
Asset turnover (Rev./Avg TA)	131.6	126.3	123.4	126.2	129.6
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	15.3	17.1	12.5	13.7	15.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	18.3	2.1	3.6	8.6	10.2
EBITDA	(3.0)	19.1	(11.4)	11.8	19.4
Adjusted EPS	(7.0)	23.3	(21.0)	16.5	23.0

Profitability & Return ratios (%)

EBITDA margin	13.5	15.8	13.5	13.9	15.1
EBIT margin	10.5	12.5	9.9	10.3	11.6
Adjusted profit margin	8.0	9.7	7.4	7.9	8.9
Adjusted ROAE	15.3	17.1	12.5	13.7	15.7
ROCE	18.9	21.3	16.9	17.6	19.9

Working capital days (days)

Receivables	50	51	45	45	45
Inventory	47	43	49	45	44
Payables	26	24	27	27	27

Ratios (x)

Gross asset turnover	2.1	1.9	1.8	1.8	1.9
Current ratio	2.3	2.6	2.6	2.7	2.9
Net interest coverage ratio	20.6	32.3	23.0	21.7	26.9
Adjusted debt/equity	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

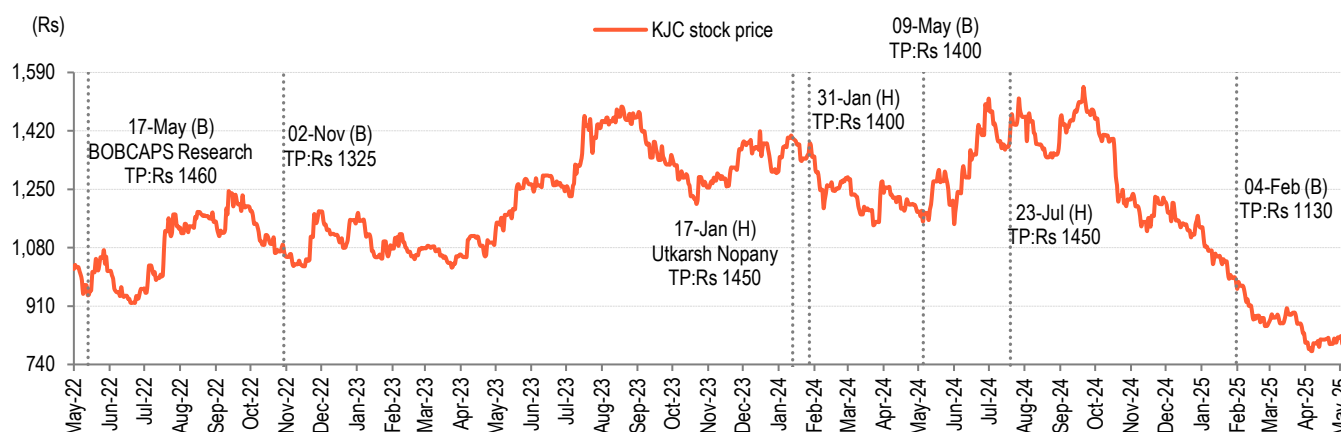
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): KAJARIA CERAMICS (KJC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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